Of the total amount of 2,161.098 million schillings, 652 454
2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts.

It should be explained that during the last [451] part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment.

b) Money and capital market.

The essential part which counterpart funds [454] (Marshall Plan aid) play in financing reconstruction [652] and replenishment needs becomes especially obvious if [455] the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized"

454 corporations reflecting open problems to be solved by the state treaty (German property, compensations, etc.). The combined index of free and nationalized enterprises bears out the development sketched above. There is a decrease from 363 in 1948 (March 1938 = 100) to 309.7 in 1949 and 244.7 in 1950, although the [434] purchasing power of money decreased from 1938 to 1950 by 5/6.

Under these circumstances it is not surprising that the stock exchange presently plays a small role in the raising of capital and the placement of new shares in the capital market. Thus, for example, during 1950 only four corporations increased their capital: The Österreichische Brown Bovery A. G. (from 2.4 to 3 million schillings), the Brauerei Schwechat A. G. (from 20.83 to 21 million schillings), the Semperit A. G. (from 10 to 30 million schillings) and the Wagner Biro Maschinenfabriken A. G. (from 5 to 10 million schillings).

[455] A similar situation prevailed in the bond market. The report of the Vienna Stock Exchange states: "In April 1950, when the 5 per cent Reconstruction Loan of 1949 was listed on the exchange at 85 (subscribed up to 324.6 million schillings), the investment market had partially adjusted itself to the prevailing new interest rates. Issues of the provinces and municipalities, generally bearing interest at a rate of 4 per cent, decreased in value from 100 per cent to 92 per cent. The market in debentures (up to the end of 1950 debentures and municipal bonds amounting to 596.4 million schillings at par were circulating) had to overcome certain difficulties, since it is based on a 4 per cent interest rate and the change of quotations in connection with the credit extension to debtors represents a difficult problem...." During the summer months of 1950 a new type of debentures appeared. They matured after 6 years (previously they had been 40-50 years) with which, naturally, only credits extending for an approximately similar period of time could be financed. The amounts derived from such issues were primarily used for public investments.

It is a fact that presently bonds are quoted below par value since, besides the above-mentioned reasons, the scope of buyers is a rather limited one. From September 30, 1948 (the first time after the currency reform that particulars about the circulation of debentures and municipal bonds were published) to the end of 1950 only 95 million schillings in debenture bonds and

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

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The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations.

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Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western

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1 [CP CATEGORY 1/6, PAGE 50 -- ANALYST]